

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2005**

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

JUNE 30, 2005

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**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

OFFICIALS

Name	Title	Term Expires
-----	-----	-----
Board of Education		
(Before September 2004 Election)		
M.J. Smith	President	2004
Larry Friedlein	Vice-President	2005
Greg Glawe	Board Member	2005
Christine Schroeder	Board Member	2004
Paul Kregel	Board Member	2006

Board of Education		
(After September 2004 Election)		
M.J. Smith	President	2007
Larry Friedlein	Vice-President	2005
Greg Glawe	Board Member	2005
Penny Hansel	Board Member	2007
Paul Kregel	Board Member	2006

School Officials		
Allan Nelson	Superintendent	2005
Joan Walke	District Secretary	2005
David Schlueter	Business Manager/Treasurer	2005

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Guttenberg Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Guttenberg Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Guttenberg Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 7, 2005, on our consideration of the Guttenberg Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 40 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Guttenberg Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

O'CONNOR, BROOKS & CO., P.C.

Dubuque, Iowa
September 7, 2005

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Guttenberg Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

This section of the Guttenberg Community School District's Comprehensive Annual Financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2005. The analysis focuses on District financial performance as a whole.

Efforts have been made to provide comparison to prior year data when such data is available.

Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- General fund revenues decreased from \$4,566,391 in FY04 to \$4,540,000 in FY05 while general fund expenditures increased from \$4,379,826 in FY04 to \$4,524,570 in FY05. The District's general fund balance increased from \$641,341 on June 30, 2004 to \$656,772 on June 30, 2004.
- General fund revenues decreased \$26,391 primarily due to decreased state aid resulting from the reduction for the special education surplus and due to decreased tuition revenues from special education and open enrollment students.
- General fund expenditures increased \$144,744 primarily due purchases of materials and computer equipment related to adoption of a new elementary/special education reading program.
- Local option sales tax collections in Clayton County began on January 1, 2004. The district began receiving funds in March, 2004. Total sales tax revenues for FY04 were \$51,810. Sales tax revenues for FY05 were \$262,353.
- The Board renewed the Instructional Support Levy in July, 2003. This levy generates an additional 10% of regular program district cost. The maximum income surtax rate was increased from 3% to 10%. The income surtax rate imposed for FY05 remained at 3%.
- The September, 2004 certified enrollment decreased 23.3 students versus September, 2003.

- Citizen petitions asking for reorganization of the Guttenberg Community School District with Garnavillo Community School District were submitted to the AEA in February, 2004. This merger was approved by the voters on September 14, 2004 and will take place on July 1, 2005. On July 11, 2005 the Boards of Directors for each district approved the termination of the 28E Whole Grade Sharing Agreement. They also approved the transfer of all assets and liabilities from each district to the Clayton Ridge Community School District.
- A resolution was adopted in June, 2004 asking the voters to approve a \$.51 Physical Plant and Equipment Levy for three years beginning with the FY06 budget year. The voters approved this levy at the September 14, 2004 election.

Overview of Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The Statement of Net Assets and Statement of Activities provide information on a district-wide basis. The statements present an aggregate view of the District's finances. District-wide statements contain useful long-term information as well as information for the just-completed fiscal year.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long-term financial information about the activities the District operates like businesses, such as food services.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

District-wide statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.
- Business type activities: The District charges fees to help cover the costs of certain services it provides. The District's food service program is included here.

Fund Financial Statements

Fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- Governmental funds: Most of the District's basic services are included in the governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements.
- Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business type activities but provide more detail and additional information, such as cash flows. Internal service funds, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities. The District does not currently have any internal service funds.

- **Fiduciary funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship fund. The District accounts for outside donations for specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net Assets. The table below provides a summary of the District's net assets for the year ended June 30, 2005 compared to 2004.

Figure A-1

Condensed Statement of Net Assets (\$000)

	Governmental Activities		Business Type Activities		Total School District		Total Percentage Change
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004-2005</u>
Current assets	\$3,892	\$1,854	\$23	\$31	\$3,915	\$1,885	-51.9%
Capital assets	1,726	733	17	14	1,743	747	-57.1%
Total assets	5,618	2,587	40	45	5,658	2,632	-53.5%
Current Liabilities	2,964	744	-	-	2,964	744	-74.9%
Noncurrent liabilities	62	138	-	-	62	138	122.6%
Total liabilities	3,026	882	0	0	3,026	882	-70.9%
Net assets							
Invested in capital assets, net of related debt	1,726	733	17	14	1,743	747	-57.1%
Restricted	238	456	-	-	238	456	91.6%
Unrestricted	580	516	23	31	580	547	-5.7%
Total net assets	\$2,544	\$1,705	\$40	\$45	\$2,584	\$1,750	-32.3%

The District's combined net assets decreased by 32.3% to \$1,750,027. The change in financial position is primarily due to an adjustment to capital assets (See Note 13 – Prior Period Adjustment) and due to a \$110,543 increase in the Long Term Portion of Early Retirement Payable.

Changes in net assets. The table below shows the changes in net assets for fiscal year 2005 and fiscal year 2004.

Figure A-2**Changes in Net Assets from Operating Results (\$000)**

	Governmental Activities		Business Type Activities		Total School District	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Revenues						
Program revenues						
Charges for services	1,017	994	108	113	1,125	1,107
Operating Grants & Contributions	437	442	69	68	506	510
Capital Grants & Contributions	0	1	0	0	0	1
General revenues						
Property taxes	1,767	1,788		-	1,767	1,788
State formula aid	1,712	1,672		-	1,712	1,672
Other	111	383		-	111	383
Total revenues	5,044	5,280	177	181	5,221	5,461
Expenses						
Instruction	3,212	3,749		-	3,212	3,749
Pupil & Instructional Services	501	151		-	501	151
Administrative & Business	292	342		-	292	342
Maintenance & operations	236	255		-	236	255
Transportation	323	336		-	323	336
Other	260	211	173	176	433	387
Total expenses	4,824	5,044	173	176	4,997	5,220
Increase (decrease) in net assets	\$220	\$236	\$4	\$5	\$224	\$241

As shown in Figure A-2, property tax and state aid provide 63% of the funding required for governmental programs. Charges for services and operating grants provide 100% of the funding for business type activities (food service program.)

Total District revenues exceeded total expenses, thereby increasing net assets \$241,000. Business type activities contributed \$5,000 to this increase, with the remaining \$236,000 coming from governmental activities.

Approximately 72% of the district's expenses are instruction costs. Administration expenses account for 6%; maintenance accounts for 5%; transportation accounts for 6%; food service accounts for 3%; with the remaining other expenses accounting for 8%.

Governmental Activities

Revenues for governmental activities were \$5,044,000 while total expenses were \$4,824,000. The table below presents the cost of six major district activities and each activity's net cost. Net cost shows the total cost less fees generated by the activities and intergovernmental aid provided for specific programs. The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Figure A-3
Net Cost of Governmental Activities (\$000)

	Total Cost of Services		Net Cost of Services	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Instruction	\$3,212	\$ 3,749	\$1,998	\$ 2,550
Pupil & Instructional Services	501	151	496	151
Administrative & Business	292	342	291	342
Maintenance & operations	236	255	233	251
Transportation	323	336	256	262
Other	260	211	96	52
Total	\$ 4,824	\$ 5,044	\$3,370	\$ 3,608

The total cost of all governmental activities was \$5,044,000. The net cost is \$1,436,000 less due to funds received for instructional services provided to students from other districts, and due to funds received from the federal and state governments for certain programs they choose to subsidize (such as Title I.) Transportation aid is also received from the State for the nonpublic school in our district.

Business Type Activities

Revenues of the District's business type activities (food service) were comprised of charges for meals, federal and state reimbursements, and interest earnings. (See Figure A-2.)

Business type activities revenues exceeded expenses by \$5,000. Charges for meals accounts for 65% of the total revenues, while contributions from the federal and state government for free and reduced meals and commodities accounts for the remaining 35%.

Financial Analysis of the District's Funds

Guttenberg Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2005, the governmental funds reported combined ending fund balances of \$1,112,717. One hundred percent of this balance is unreserved and available for spending. The governmental funds combined balances increased by \$233,482. A large portion of this increase was from Local Option Sales Tax revenue, which was sufficient to classify the capital projects fund as a major fund.

The general fund is the chief operating fund of the District. At the end of fiscal year 2005, the general fund balance was \$656,772, which was 100% unreserved and available for spending. The total general fund balance increased \$15,431 during the fiscal year.

The capital projects fund consists of revenues from the Local Option Sales Tax and related expenditures. The fund balance at the end of fiscal year 2005 was \$231,716, which is \$202,269 more than the previous year. The increase is primarily due to a full year of tax collections, partially offset by expenditures for carpet, restroom construction and other capital items.

Proprietary Fund Highlights

The nutrition fund consists of revenues and expenditures related to the operation of the food services department. The fund balance at the end of fiscal year 2005 was \$45,122, which is \$4,999 more than the previous year. The increase is primarily due to increased student sales.

Budgetary Highlights

The District adopts a budget in April for the following year. A comparison of the District's budget amounts compared to actual financial activity is provided in this report in the required supplementary information.

Total receipts exceeded the budget by \$184,529, or 3.5%. Total disbursements were \$911,249 under budget, which is 15%.

The total expenditures were less than budgeted due primarily to the District's general fund budget. It is the District's practice to budget expenditures at the maximum authorized spending authority for the general fund. The District then controls general fund spending through its line-item budget. As a result, the certified budget should always exceed actual expenditures for the year, as required by law.

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets as of June 30, 2004 for its governmental and business type activities was \$746,865 net accumulated depreciation. This investment includes land, buildings, and equipment. The total decrease in capital assets of \$996,461 was primarily due to a prior period adjustment of (\$1,074,971), which was partially offset by purchases of equipment and capital improvements. See Note 13 – Prior Period Adjustment, Page 39.

Figure A-4

Capital Assets (net of depreciation) (\$000)

	Governmental Activities		Business Type Activities		Total School District		Total Percentage Change
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004-2005</u>
Land	\$ 153	\$ 39	\$ -	\$ -	\$ 153	\$ 39	-74.5%
Construction in progress	-	-	-	-	-	-	0.0%
Buildings	553	573	-	-	553	573	3.6%
Equipment & Furniture	1,020	121	17	14	1,037	135	-87.0%
	\$ 1,726	\$ 733	\$ 17	\$ 14	\$ 1,743	\$ 747	-57.1%

Long-Term Debt

At June 30, 2004 the District has no long-term debt outstanding.

Economic Factors Bearing On The District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Guttenberg Community School District and Garnavillo Community School District voters approved a merger to be effective on July 1, 2005. Therefore, fiscal year 2005 will be the final year for Guttenberg Community School District.
- Voters also approved a three year levy of \$.51 per \$1,000 of assessed valuation for Physical Plant and Equipment needs. This levy will begin with the July 1, 2005 budget year, therefore it does not generate any additional funds for the Guttenberg Community School District.
- The District continues to experience declining enrollment. The September, 2005 enrollment decreased by 23 students. This trend is anticipated to continue for the next few years.
- Merger of the two districts will create a new district which will no longer be eligible for REAP funding. This federal funding has been used by the Guttenberg district for class size reduction in the elementary school. This funding contributed \$25,591 in FY05.

- The certified employees' bargaining unit contract is a one-year contract, and open for negotiation for next year. Salary and benefits represent 68% of general fund expenses. Since the district does not receive an increase in spending authority, any increase in settlements causes an adverse effect on the general fund budget and related fund balance.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives.

If you have questions about this report or need additional financial information, contact David Schlueter, Guttenberg Community School District, PO Box 520, Guttenberg, Iowa, 52052.

**BASIC
FINANCIAL
STATEMENTS**

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**STATEMENT OF NET ASSETS
JUNE 30, 2005**

	Governmental Activities	Business Type Activities	Total
	-----	-----	-----
Assets			
Cash and cash equivalents:			
Other	\$ 1,229,726	\$ 28,988	\$ 1,258,714
Receivables:			
Property tax:			
Delinquent	33,926	---	33,926
Income surtax	48,000	---	48,000
Sales tax	79,905	---	79,905
Due from other governments	461,643	---	461,643
Inventories	---	2,618	2,618
Capital assets, net of depreciation	733,349	13,516	746,865
	-----	-----	-----
Total Assets	\$ 2,586,549	\$ 45,122	\$ 2,631,671
	-----	-----	-----
Liabilities			
Accounts payable	\$ 692,483	\$ ---	\$ 692,483
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	51,242	---	51,242
Portion due after one year:			
Early retirement payable	137,919	---	137,919
	-----	-----	-----
Total Liabilities	\$ 881,644	\$ ---	\$ 881,644
	-----	-----	-----
Net Assets			
Invested in capital assets, net of related debt	\$ 733,349	\$ 13,516	\$ 746,865
Restricted for:			
Management levy	106,418	---	106,418
Physical plant & equipment levy	57,969	---	57,969
Other special revenue purposes	59,842	---	59,842
Local option sales and service tax (Capital Project)	231,716	---	231,716
Unrestricted	515,611	31,606	547,217
	-----	-----	-----
Total Net Assets	\$ 1,704,905	\$ 45,122	\$ 1,750,027
	=====	=====	=====

See notes to financial statements.

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for	Operating	Capital	Governmental	Business Type	Total
Functions/Programs	Expenses	Service	Grants and Contributions	Grants and Contributions	Activities	Activities	
Governmental Activities:							
Instruction:							
Regular instruction	\$ 2,202,163	\$ 487,889	\$ 156,113	\$ 558	\$ (1,557,603)	\$ ---	\$ (1,557,603)
Special instruction	772,019	187,384	62,376	---	(522,259)	---	(522,259)
Other instruction	774,748	304,688	---	---	(470,060)	---	(470,060)
Total Instruction	\$ 3,748,930	\$ 979,961	\$ 218,489	\$ 558	\$ (2,549,922)	\$ ---	\$ (2,549,922)
Support Services:							
Student services	\$ 119,081	\$ ---	\$ ---	\$ ---	\$ (119,081)	\$ ---	\$ (119,081)
Instructional staff services	31,642	---	---	---	(31,642)	---	(31,642)
Administration services	341,666	---	---	---	(341,666)	---	(341,666)
Operation and maintenance of plant services	254,899	3,600	---	---	(251,299)	---	(251,299)
Transportation services	336,210	10,647	63,377	---	(262,186)	---	(262,186)
Central support services	1,959	---	---	---	(1,959)	---	(1,959)
Total Support Services	\$ 1,085,457	\$ 14,247	\$ 63,377	\$ ---	\$ (1,007,833)	\$ ---	\$ (1,007,833)

See notes to financial statements.

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for	Operating	Capital	Governmental	Business Type	Total
Expenses		Service	Grants and	Grants and	Activities	Activities	
-----		-----	Contributions	Contributions	-----	-----	-----
Functions/Programs							
Governmental Activities: (Continued)							
Other Expenditures:							
Facilities acquisition	\$ 9,679	\$ ---	\$ ---	\$ ---	\$ (9,679)	\$ ---	\$ (9,679)
AEA flowthrough	160,628	---	160,628	---	---	---	---
Depreciation (unallocated)*	40,132	---	---	---	(40,132)	---	(40,132)
	-----	-----	-----	-----	-----	-----	-----
Total Other Expenditures	\$ 210,439	\$ ---	\$ 160,628	\$ ---	\$ (49,811)	\$ ---	\$ (49,811)
	-----	-----	-----	-----	-----	-----	-----
Total Governmental Activities	\$ 5,044,826	\$ 994,208	\$ 442,494	\$ 558	\$ (3,607,566)	\$ ---	\$ (3,607,566)
Business Type Activities:							
Noninstructional programs:							
Food service operations	176,203	113,296	67,563	---	---	4,656	4,656
	-----	-----	-----	-----	-----	-----	-----
Total	\$ 5,221,029	\$ 1,107,504	\$ 510,057	\$ 558	\$ (3,607,566)	\$ 4,656	\$ (3,602,910)
	=====	=====	=====	=====	-----	-----	-----

See notes to financial statements.

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Functions/Programs							
General Revenues:							
Property tax levied for:							
General purposes					\$ 1,788,216	\$ ---	\$ 1,788,216
Local option sales tax and service tax					262,353	---	262,353
Income surtax					48,000	---	48,000
Unrestricted state grants					1,672,529	---	1,672,529
Unrestricted investment earnings					28,094	343	28,437
Other					44,615	---	44,615
Total General Revenues					\$ 3,843,807	\$ 343	\$ 3,844,150
Change in Net Assets					\$ 236,241	\$ 4,999	\$ 241,240
Net Assets Before Prior Period Adjustment					\$ 2,543,635	\$ 40,123	\$ 2,583,758
Prior Period Adjustment					(1,074,971)	---	(1,074,971)
Net Assets Beginning of Year, as restated					\$ 1,468,664	\$ 40,123	\$ 1,508,787
Net Assets End of Year					\$ 1,704,905	\$ 45,122	\$ 1,750,027
					=====	=====	=====

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

EXHIBIT "C"

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	General	Capital Projects	Nonmajor Governmental Funds	Total
	-----	-----	-----	-----
Assets				
Cash and pooled investments				
Other	\$ 856,480	\$ 151,811	\$ 221,435	\$ 1,229,726
Receivables:				
Property tax:				
Delinquent	31,132	---	2,794	33,926
Income surtax	48,000	---	---	48,000
Sales tax	---	79,905	---	79,905
Due from other governments	461,643	---	---	461,643
	-----	-----	-----	-----
Total Assets	\$ 1,397,255	\$ 231,716	\$ 224,229	\$ 1,853,200
	=====	=====	=====	=====
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 692,483	\$ ---	\$ ---	\$ 692,483
Deferred revenue:				
Income surtax	48,000	---	---	48,000
	-----	-----	-----	-----
Total Liabilities	\$ 740,483	\$ ---	\$ ---	\$ 740,483
	-----	-----	-----	-----
Fund Balances:				
Unreserved:				
Undesignated	\$ 656,772	\$ 231,716	\$ 224,229	\$ 1,112,717
	-----	-----	-----	-----
Total Fund Balances	\$ 656,772	\$ 231,716	\$ 224,229	\$ 1,112,717
	-----	-----	-----	-----
Total Liabilities and Fund Balances	\$ 1,397,255	\$ 231,716	\$ 224,229	\$ 1,853,200
	=====	=====	=====	=====

See notes to financial statements.

EXHIBIT "D"

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005**

Total fund balances of governmental funds	\$ 1,112,717
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets of \$2,790,212, net of accumulated depreciation of (\$2,056,863) are not financial resources and, therefore, are not reported in the funds.	733,349
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	(189,161)
Income surtaxes will be collected this year, but the resources are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds	48,000

Net assets of governmental activities	\$ 1,704,905
	=====

See notes to financial statements.

EXHIBIT "E"

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005**

	General	Capital Projects	Nonmajor Governmental Funds	Total
	-----	-----	-----	-----
Revenues:				
Local sources:				
Local tax	\$ 1,642,878	\$ 262,353	\$ 143,212	\$ 2,048,443
Tuition	191,214	---	---	191,214
Other	533,228	1,233	285,968	820,429
State sources	2,020,787	---	301	2,021,088
Federal sources	151,893	---	---	151,893
	-----	-----	-----	-----
Total Revenue	\$ 4,540,000	\$ 263,586	\$ 429,481	\$ 5,233,067
	-----	-----	-----	-----
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,040,222	\$ ---	\$ 33,064	\$ 2,073,286
Special instruction	772,019	---	---	772,019
Other instruction	479,564	---	295,184	774,748
	-----	-----	-----	-----
Total Instruction	\$ 3,291,805	\$ ---	\$ 328,248	\$ 3,620,053
	-----	-----	-----	-----
Support Services:				
Student services	\$ 101,257	\$ ---	\$ 17,824	\$ 119,081
Instructional staff services	127,533	---	15,779	143,312
Administration services	340,402		1,264	341,666
Operation and maintenance of plant services	223,841	---	25,441	249,282
Transportation services	279,104	---	15,400	294,504
Central support services	---	---	1,959	1,959
	-----	-----	-----	-----
Total Support Services	\$ 1,072,137	\$ ---	\$ 77,667	\$ 1,149,804
	-----	-----	-----	-----

See notes to financial statements.

EXHIBIT "E" (Continued)**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA****STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005**

	General	Capital Projects	Nonmajor Governmental Funds	Total
	-----	-----	-----	-----
Expenditures: (Continued)				
Other Expenditures:				
Facilities acquisition	\$ ---	\$ 61,317	\$ 7,784	\$ 69,101
AEA flowthrough	160,628	---	---	160,628
	-----	-----	-----	-----
Total Other Expenditures	\$ 160,628	\$ 61,317	\$ 7,784	\$ 229,729
	-----	-----	-----	-----
Total Expenditures	\$ 4,524,570	\$ 61,317	\$ 413,699	\$ 4,999,586
	-----	-----	-----	-----
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 15,430	\$ 202,269	\$ 15,782	\$ 233,481
	-----	-----	-----	-----
Net Change in Fund Balances	\$ 15,430	\$ 202,269	\$ 15,782	\$ 233,481
Fund Balances Beginning of Year, as restated	641,342	29,447	208,447	879,236
	-----	-----	-----	-----
Fund Balances End of Year	\$ 656,772	\$ 231,716	\$ 224,229	\$ 1,112,717
	=====	=====	=====	=====

See notes to financial statements.

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

Net change in fund balances - total governmental funds	\$ 233,481
---------------------------------------------------------------	-------------------

*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$176,580 exceeded depreciation of (\$94,737) in the current period.	81,843
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes the net increase in the early retirement payable.	(127,083)
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------

Because income surtaxes will not be collected for several months after the district's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount this year.	48,000
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------

Change in net assets of governmental activities	\$ 236,241 =====
--------------------------------------------------------	----------------------------

See notes to financial statements.

EXHIBIT "G"**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA****STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2005**

	School Nutrition -----
Assets	
Cash and cash equivalents	\$ 28,988
Inventories	2,618
Capital assets, net of accumulated depreciation	13,516

Total Assets	\$ 45,122

Liabilities	
None	\$ ---

Net Assets	
Invested in capital assets, net of related debt	\$ 13,516
Unrestricted	31,606

Total Net Assets	\$ 45,122
	=====

See notes to financial statements.

EXHIBIT "I"**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA****STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005**

	School Nutrition
Operating Revenue:	-----
Local sources:	
Charges for services	\$ 113,296

Operating Expenses:	
Noninstructional programs:	
Food service operations:	
Salaries and benefits	\$ 68,481
Benefits	11,155
Purchased services	140
Supplies	93,093
Depreciation	3,334

Total Operating Expenses	\$ 176,203

Operating Profit (Loss)	\$ (62,907)

Nonoperating Revenue:	
State sources	\$ 4,245
Federal sources	63,318
Interest income	343

Total Nonoperating Revenue	\$ 67,906

Changes in Net Assets	\$ 4,999

Net Assets Beginning of Year	40,123

Net Assets End of Year	\$ 45,122
	=====

See notes to financial statements.

EXHIBIT "I"

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005**

	School Nutrition
Cash Flows From Operating Activities:	-----
Cash received from sale of lunches and breakfasts	\$ 114,999
Cash paid to employees for services	(79,636)
Cash paid to suppliers for goods and services	(82,411)

Net Cash Used by Operating Activities	\$ (47,048)

Cash Flows From Noncapital Financing Activities	
State grants received	\$ 4,245
Federal grants received	50,540

Net Cash Provided by Noncapital Financing Activities	\$ 54,785

Cash Flows From Investing Activities:	
Interest on investments	\$ 343

Net Increase in Cash and Cash Equivalents	\$ 8,080

Cash and Cash Equivalents Beginning of Year	20,908

Cash and Cash Equivalents End of Year	\$ 28,988
	=====
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating loss	\$ (62,907)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	12,778
Depreciation	3,334
Increase in inventories	(1,956)
Decrease in accounts receivable	1,703

Net Cash Provided by Operating Activities	\$ (47,048)
	=====

Non-Cash Investing, Capital and Financing Activities:

During the year ended June 30, 2005, the District received \$12,778 of federal commodities.

See notes to financial statements.

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005**

	Private Purpose Trust	
	Scholarship	Agency
	-----	-----
Assets		
Cash and pooled investments	\$ 38,485	\$ 2,647
	-----	-----
Liabilities		
Due to other governments	\$ ---	\$ 2,647
	-----	-----
Net Assets		
Reserved for Scholarships	\$ 38,485	\$ ---
	=====	=====

See notes to financial statements.

EXHIBIT "K"

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2005**

	Private Purpose Trust

	Scholarship

Additions:	
Local sources:	
Gifts and contributions	\$ 23,195
Interest income	727

Total Additions	\$ 23,922
Deductions:	
Support services:	
Scholarships awarded	9,465

Change in Net Assets	\$ 14,457
Net Assets Beginning of Year	24,028

Net Assets End of Year	\$ 38,485
	=====

See notes to financial statements.

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 1 - Summary of Significant Accounting Policies:

The Guttenberg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Guttenberg Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Guttenberg Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Clayton County Assessor's Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 1 - Summary of Significant Accounting Policies: (Continued)

B. Basis of Presentation (Continued)

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three activities:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 1 - Summary of Significant Accounting Policies: (Continued)

B. Basis of Presentation (Continued)

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Local Option Sales Tax Fund (Capital Projects) is used to account for resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds that focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 1 - Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 1 - Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for nonnegotiable certificates of deposit which are stated at cost.

For purposes of the statements of cash flows, all short-term cash deposits that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2005, included certificates of deposit of \$18,450 with maturity dates longer than three months.

Property Tax Receivable - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. Due to the merger of the Guttenberg Community School District and the Garnavillo Community School District into the Clayton Ridge

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Community School District effective July 1, 2005, a succeeding year property tax receivable has not been recorded. The successor entity, Clayton Ridge Community School District, has certified its initial budget for the subsequent fiscal year and property taxes have been levied in the amount of \$2,887,283.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2003, assessed property valuations, is for the tax accrual period July 1, 2004, through June 30, 2005, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventory items are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land		All
Buildings	\$	1,500
Improvements other than buildings		1,500
Furniture and Equipment:		
School Nutrition Fund equipment		1,500
Other furniture and equipment		1,500

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-20 years

Compensated Absences - School District employees accumulate sick leave and vacation for subsequent use. These accumulations are not recognized as expenditures by the District until used. The District's policy prohibits payoff of accumulated benefits at termination of employment. Consequently, no liability at June 30, 2005 has been accrued.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, income surtax, as well as delinquent property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the District's governmental funds consists of income surtax.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted at the functional level or exceed the General Fund unspent authorized budget.

Note 2 - Cash and Pooled Investments:

The District's deposits in banks at June 30, 2005, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 3 - Iowa School Cash Anticipation Program (ISCAP):

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. There were no outstanding ISCAP warrants payable and/or investments as of June 30, 2005.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2005 is as follows:

Series	Balance Beginning of Year	Advances Received	Advance Repaid	Balance End of Year
-----	-----	-----	-----	-----
2004-05A	\$ 238,000	\$ ---	\$ 238,000	\$ ---
	-----	-----	-----	-----
Total	\$ 238,000	\$ ---	\$ 238,000	\$ ---
	=====	=====	=====	=====

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
-----	-----	-----
2004-05A	3.000%	2.463%

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 4 - Capital Assets:

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year	Prior Period Adjustment	Increases	Decreases	Balance End of Year
	-----	-----	-----	-----	-----
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 153,176	\$ (114,041)	\$ ---	\$ ---	\$ 39,135
	-----	-----	-----	-----	-----
Total capital assets not being depreciated	\$ 153,176	\$ (114,041)	\$ ---	\$ ---	\$ 39,135
	-----	-----	-----	-----	-----
Capital assets being depreciated:					
Buildings	\$1,642,652	\$ 30,394	\$ 54,866	\$ ---	\$1,727,912
Improvements other than buildings	---	86,689	880	---	87,569
Furniture and equipment	1,586,307	(754,695)	120,834	16,850	935,596
	-----	-----	-----	-----	-----
Total capital assets being depreciated	\$3,228,959	\$ (637,612)	\$ 176,580	\$ 16,850	\$2,751,077
	-----	-----	-----	-----	-----
Less accumulated depreciation for:					
Buildings	\$1,090,097	\$ 40,362	\$ 24,603	\$ ---	\$1,155,062
Improvements other than buildings	---	72,265	1,647	---	73,912
Furniture and equipment	565,561	210,691	68,487	16,850	827,889
	-----	-----	-----	-----	-----
Total accumulated depreciation	\$1,655,658	\$ 323,318	\$ 94,737	\$ 16,850	\$2,056,863
	-----	-----	-----	-----	-----
Total capital assets being depreciated, net	\$1,573,301	\$ (960,930)	\$ 81,843	\$ ---	\$ 694,214
	-----	-----	-----	-----	-----
Governmental activities capital assets, net	\$1,726,477	\$(1,074,971)	\$ 81,843	\$ ---	\$ 733,349
	=====	=====	=====	=====	=====
Business Type activities:					
Furniture and equipment	\$ 37,577	\$ ---	\$ ---	\$ ---	\$ 37,577
Less accumulated depreciation	20,727	---	3,334	---	24,061
	-----	-----	-----	-----	-----
Business type activities capital assets, net	\$ 16,850	\$ ---	\$ 3,334	\$ ---	\$ 13,516
	=====	=====	=====	=====	=====

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 4 - Capital Assets: (Continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular instruction	\$ 4,777
---------------------	----------

Support services:

Instructional staff support services	2,505
--------------------------------------	-------

Operation and maintenance of plant services	5,617
---------------------------------------------	-------

Transportation services	41,706
-------------------------	--------

Unallocated	40,132
-------------	--------

Total depreciation expense - governmental activities	\$ 94,737
------------------------------------------------------	-----------

Business type activities:

Food services	\$ 3,334
---------------	----------

Note 5 - Long-Term Liabilities:

Changes in long-term liabilities for the year ended June 30, 2005, are summarized as follows:

	Early Retirement

Balance Beginning of Year	\$ 62,078
Additions	161,785
Reductions	(34,702)

Balance End of Year	\$ 189,161
	=====

Early Retirement:

The District offers a voluntary early retirement plan to its certified and noncertified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application, which is required to be approved by the Board of Education. The early retirement incentive for each eligible certified employee is equal to 25 percent of the employee's final fiscal year wage. The early retirement incentive for noncertified employees is equal to 25 percent of their current annual base pay. Early retirement benefits paid during the year ended June 30, 2005, totaled \$34,702.

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 6 - Pension and Retirement Benefits:

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004, and 2003. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$149,722, \$134,473, and \$136,032, respectively, equal to the required contributions for each year.

Note 7 - Related Party Transaction:

The District had business transactions between the District and a District officials totaling \$375 during the year ended June 30, 2005.

Note 8 - Risk Management:

Guttenberg Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9 - Area Education Agency:

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$160,628 for the year ended June 30, 2005, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 10 - Operating Lease Commitment:

The District entered into noncancellable operating leases for six school buses. Three buses were delivered in the year ending June 30, 2005, which required a lease payment of \$25,030. The remaining three buses are scheduled for delivery in the year ending June 30, 2006.

Future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2005, are as follows:

<u>Year Ending June 30</u>	
2006	\$ 49,956
2007	49,956
2008	24,925

Total	\$ 124,837
	=====

Note 11 - Subsequent Event - District Merger:

On September 14, 2004, a vote was held which approved the merger of the Guttenberg Community School District with the Garnavillo Community School District. The new merged district will be named Clayton Ridge Community School District and is effective July 1, 2005.

Note 12 - Construction Commitment:

The District has entered into contracts totaling \$24,545 for a remodeling project. As of June 30, 2005, no costs had been incurred against the contracts. The balance of \$24,545 remaining at June 30, 2005 will be paid as work on the project progresses.

Note 13 - Prior Period Adjustment:

During the current fiscal year, it was noted that the District's net capital assets were overstated by \$1,074,971 at July 1, 2004. This was mainly due to numerous items included on the capital asset listing that did not meet the District's capitalization policy and, therefore, should not have been included. These additional items were overstating net capital assets by \$751,653. In addition, accumulated depreciation was not calculated properly for the remaining items. Accumulated depreciation was understated by \$323,318, which overstated net capital assets by the same amount. The prior period adjustment reduced net capital assets to \$651,506 at July 1, 2004.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN BALANCES - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2005**

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Receipts:						
Local sources	\$ 3,060,086	\$ 113,639	\$ 3,173,725	\$ 2,976,739	\$ 2,976,739	\$ 196,986
State sources	2,021,088	4,245	2,025,333	2,053,001	2,053,001	(27,668)
Federal sources	151,893	63,318	215,211	200,000	200,000	(15,211)
Total Receipts	\$ 5,233,067	\$ 181,202	\$ 5,414,269	\$ 5,229,740	\$ 5,229,740	\$ 184,529
Disbursements:						
Instruction	\$ 3,620,053	\$ ---	\$ 3,620,053	\$ 4,208,616	\$ 4,208,616	\$ 588,563
Support services	1,149,804	---	1,149,804	1,266,000	1,266,000	116,196
Noninstructional programs	---	176,203	176,203	192,624	192,624	16,421
Other expenditures	229,729	---	229,729	419,798	419,798	190,069
Total Disbursements	\$ 4,999,586	\$ 176,203	\$ 5,175,789	\$ 6,087,038	\$ 6,087,038	\$ 911,249
Excess (Deficiency) of Revenues Over (Under) Disbursements	\$ 233,481	\$ 4,999	\$ 238,480	\$ (857,298)	\$ (857,298)	\$ 1,095,778
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	\$ 233,481	\$ 4,999	\$ 238,480	\$ (857,298)	\$ (857,298)	\$ 1,095,778
Balances Beginning of Year	879,236	40,123	919,359	857,298	857,298	62,061
Balances End of Year	\$ 1,112,717	\$ 45,122	\$ 1,157,839	\$ ---	\$ ---	\$ 1,157,839
	=====	=====	=====	=====	=====	=====

See accompanying independent auditor's report.

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY REPORTING**

YEAR ENDED JUNE 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis. Encumbrances are not recognized on the accrual basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, noninstructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund that may not exceed the amount authorized by the school finance formula. The District did not adopt any budget amendments during the year.

During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted at the functional level or exceed the General Fund unspent authorized budget.

**OTHER
SUPPLEMENTARY
INFORMATION**

SCHEDULE "1"

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005**

	Special Revenue Funds			
	Management	Student Activity	Physical Plant and Equipment Levy	Total Nonmajor Governmental Funds
	-----	-----	-----	-----
Assets				
Cash and pooled investments	\$ 104,471	\$ 59,842	\$ 57,122	\$ 221,435
Receivables:				
Property tax:				
Delinquent	1,947	---	847	2,794
	-----	-----	-----	-----
Total Assets	\$ 106,418	\$ 59,842	\$ 57,969	\$ 224,229
	=====	=====	=====	=====
Liabilities and Fund Equity				
Liabilities:				
None	\$ ---	\$ ---	\$ ---	\$ ---
	-----	-----	-----	-----
Total Liabilities	\$ ---	\$ ---	\$ ---	\$ ---
	-----	-----	-----	-----
Fund Equity:				
Unreserved fund balances	\$ 106,418	\$ 59,842	\$ 57,969	\$ 224,229
	-----	-----	-----	-----
Total Liabilities and Fund Equity	\$ 106,418	\$ 59,842	\$ 57,969	\$ 224,229
	=====	=====	=====	=====

See accompanying independent auditor's report.

SCHEDULE "2"

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005**

	Special Revenue Funds			
	Management	Student Activity	Physical Plant and Equipment Levy	Total Nonmajor Governmental Funds
	-----	-----	-----	-----
Revenues:				
Local Sources:				
Local tax	\$ 99,541	\$ ---	\$ 43,671	\$ 143,212
Other	980	284,385	603	285,968
State sources	210	---	91	301
	-----	-----	-----	-----
Total Revenues	\$ 100,731	\$ 284,385	\$ 44,365	\$ 429,481
	-----	-----	-----	-----
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 33,064	\$ ---	\$ ---	\$ 33,064
Other instruction	---	295,184	---	295,184
	-----	-----	-----	-----
Total Instruction	\$ 33,064	\$ 295,184	\$ ---	\$ 328,248
	-----	-----	-----	-----
Support Services:				
Student services	\$ 17,824	\$ ---	\$ ---	\$ 17,824
Instructional staff services	152	---	15,627	15,779
Administration services	1,264	---	---	1,264
Operation and maintenance of plant services	25,441	---	---	25,441
Transportation services	15,400	---	---	15,400
Central support services	1,959	---	---	1,959
	-----	-----	-----	-----
Total Support Services	\$ 62,040	\$ ---	\$ 15,627	\$ 77,667
	-----	-----	-----	-----
Other Expenditures:				
Facilities acquisition	\$ ---	\$ ---	\$ 7,784	\$ 7,784
	-----	-----	-----	-----
Total Expenditures	\$ 95,104	\$ 295,184	\$ 23,411	\$ 413,699
	-----	-----	-----	-----
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	\$ 5,627	\$ (10,799)	\$ 20,954	\$ 15,782
	-----	-----	-----	-----
Excess (Deficiency) of Revenues and Other				
Financing Sources Over (Under)				
Expenditures and Other Financing Uses	\$ 5,627	\$ (10,799)	\$ 20,954	\$ 15,782
	-----	-----	-----	-----
Fund Balances Beginning of Year	100,791	70,641	37,015	208,447
	-----	-----	-----	-----
Fund Balances End of Year	\$ 106,418	\$ 59,842	\$ 57,969	\$ 224,229
	=====	=====	=====	=====

See accompanying independent auditor's report.

SCHEDULE "3"

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND,
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2005**

	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	-----	-----	-----	-----
Adult Pop - Elementary	\$ 555	\$ 3,512	\$ 3,303	\$ 764
Assemblies	144	1,097	1,713	(472)
Athletic Club	---	24,072	24,557	(485)
Athletics	2,182	36,721	35,770	3,133
Baseball	(1,306)	287	---	(1,019)
Board & Administration Gifts	113	54	155	12
Boys Basketball	1,956	2,624	4,061	519
Cheerleaders	138	832	1,151	(181)
Class of 2005	22,124	24,632	44,800	1,956
Class of 2006	8,134	18,380	11,210	15,304
Class of 2007	4,777	12,951	7,465	10,263
Class of 2008	(229)	5,956	3,558	2,169
Clayton Ridge Activities	250	300	550	---
Cross Country	20	428	448	---
Dare Activity/Trip Account	3,131	---	72	3,059
Drama Club	43	5,274	2,650	2,667
Drill Team	2,717	22,301	21,554	3,464
Elementary Assemblies	2,175	3,313	2,305	3,183
Elementary Safety Patrol	122	---	74	48
FCCLA	941	409	327	1,023
FFA Environment Grant	2,893	250	---	3,143
FFA Memorial Fund	7,845	2,961	7,431	3,375
FFA Project Fund	1,503	16	540	979
FFA Trip Account	(369)	13,486	14,217	(1,100)
Fine Arts Division	342	15	---	357
Football	(1,170)	4,076	3,588	(682)
Girls Basketball	(196)	3,130	1,366	1,568
Mass Media	167	6	---	173
National Honor Society	354	1,560	1,700	214
Parent Advisory Committee	333	84	345	72
Philanthropist Club	40	204	225	19
Random Act of Kindness Club	189	6,167	6,299	57
Reading Month	2,009	1,926	2,534	1,401
Softball	(50)	140	140	(50)
Student Senate	2,223	30,919	29,776	3,366
FFA Tri-Star	(1,666)	35,325	34,172	(513)
Volleyball	2,709	8,468	7,915	3,262
Wrestling	1,009	842	1,162	689
Yearbook	4,489	11,667	18,051	(1,895)
	-----	-----	-----	-----
Total	\$ 70,641	\$ 284,385	\$ 295,184	\$ 59,842
	=====	=====	=====	=====

See accompanying independent auditor's report.

SCHEDULE "4"**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA****SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUND
YEAR ENDED JUNE 30, 2005**

	Balance Beginning of Year -----	Additions -----	Deductions -----	Balance End of Year -----
Assets:				
Cash and deposits	\$ 2,552 =====	\$ 95 =====	\$ --- =====	\$ 2,647 =====
Liabilities:				
Payable to others	\$ 2,552 =====	\$ 95 =====	\$ --- =====	\$ 2,647 =====

See accompanying independent auditor's report.

SCHEDULE "5"**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA****SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS**

	Modified Accrual Basis			
	2005	2004	2003	2002
Revenues:				
Local Sources:				
Local tax	\$ 2,048,443	\$ 1,810,650	\$ 1,728,878	\$ 1,682,541
Tuition	191,214	230,779	235,837	210,661
Other	820,429	800,514	820,516	817,909
State Sources	2,021,088	2,051,193	2,011,316	1,923,710
Federal Sources	151,893	151,066	143,098	109,217
	-----	-----	-----	-----
Total	\$ 5,233,067	\$ 5,044,202	\$ 4,939,645	\$ 4,744,038
	=====	=====	=====	=====
Expenditures:				
Instruction:				
Regular instruction	\$ 2,073,286	\$ 2,189,970	\$ 2,148,636	\$ 2,494,191
Special instruction	772,019	39,130	557,022	608,445
Other instruction	774,748	391,957	659,521	449,275
Support Services:				
Student services	119,081	111,592	65,435	69,416
Instructional staff services	143,312	404,946	146,159	150,617
Administration services	341,666	291,724	286,889	272,336
Operation and maintenance of plant services	249,282	235,405	233,390	244,286
Transportation services	294,504	315,854	283,115	292,392
Central support services	1,959	16,394	22,357	18,540
Noninstructional Programs	---	---	4,630	2,344
Other Expenditures:				
Facilities acquisition	69,101	66,537	23,007	40,110
AEA flowthrough	160,628	163,739	174,387	173,872
	-----	-----	-----	-----
Total	\$ 4,999,586	\$ 4,827,248	\$ 4,604,548	\$ 4,815,824
	=====	=====	=====	=====

See accompanying independent auditor's report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the
Guttenberg Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Guttenberg Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 7, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Guttenberg Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal

control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-05, I-B-05 and I-C-05 are material weaknesses. Prior year reportable conditions have all been resolved except for item I-A-05.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Guttenberg Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Guttenberg Community School District and other parties to whom Guttenberg Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Guttenberg Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

O'CONNOR, BROOKS & CO., P.C.

Dubuque, Iowa
September 7, 2005

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005**

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling incompatible duties. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-05 Writing and Holding Checks - We noticed one check listed as outstanding at June 30, 2005, that was held by the District.

Recommendation - The District should avoid writing and holding checks.

Response - We will avoid writing and holding checks.

Conclusion - Response accepted.

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005**

Part I: Findings Related to the Financial Statements: (Continued)

I-C-05 Capital Assets - We noted that capital assets were overstated and accumulated depreciation understated. Numerous items were included in the capital asset listing even though they did not meet the capitalization policy.

Recommendation - The District should maintain a separate listing for inventory purposes of noncapital asset items. The District should review its capitalization policies and procedures to ensure compliance and accuracy.

Response - We will consider this.

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting:

II-A-05 Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

II-B-05 Certified Budget - Disbursements for the year ended June 30, 2005, did not exceed the amount budgeted.

II-C-05 Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-05 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005**

Part II: Other Findings Related to Statutory Reporting: (Continued)

- II-E-05 Business Transactions - Business transactions between the District and District officials or employees were detailed as follows:

Name, Title, Business Connection	Transaction Description	Amount
Paul Kregel , Board Member Owner of Livestock	Sale of hogs for senior class fundraiser	\$175
Larry Friedlein, Vice President Father of Business Owner Jeff Friedlein - Friedlein Excavating	Construction of golf course sand trap	\$200

In accordance with Chapter 279.7A of the Code of Iowa, the transactions do not appear to represent a conflict of interest since the cumulative transaction total for each official did not exceed \$2,500.

- II-F-05 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-05 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- II-H-05 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-I-05 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-J-05 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, however, we noted a \$19,987 variance in the local-option-sales-tax receivable and related revenue of the Capital Projects Fund.

Recommendation - The District should accurately report other current assets on the Certified Annual Report.

**GUTTENBERG COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005**

Part II: Other Findings Related to Statutory Reporting: (Continued)

Response - We will correct the amount of other current assets reported on the Certified Annual Report.

Conclusion - Response accepted.

II-K-05 Deficit Balances - The Student Activity Fund had nine accounts with deficit balances at June 30, 2005.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate these deficits.

Response - We will continue to monitor these accounts.

Conclusion - Response accepted.